



Human Resources Division
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February 17, 2009

AGENDA ITEM 3

TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE

- I. SUBJECT:** First and Second Quarter Status Reports on Performance Plans of the Interim Chief Executive Officer, Chief Actuary, General Counsel, and Interim Chief Investment Officer and Direct Reporting Staff
- II. PROGRAM:** Administration
- III. RECOMMENDATIONS:** Recommend the Board Accept First and Second Quarter Status Reports on Performance Plans of the Interim Chief Executive Officer, Chief Actuary, General Counsel, and Interim Chief Investment Officer and Direct Reporting Staff
- IV. ANALYSIS:**

The Compensation Policies and Procedures provide that, following the end of each quarter in the fiscal year, executives will prepare short status reports on their respective performance plans for the Performance and Compensation Committee. Because the December 2008 Performance & Compensation Committee Meeting was deferred, first quarter status reports have not yet been presented to the Committee. Attached are the cumulative status reports for the first and second quarters of the 2008-2009 Fiscal Year for the Interim Chief Executive Officer, Chief Actuary, General Counsel, Interim Chief Investment Officer, and the Senior Investment Officers.

Quarterly status reports provide a means for informing the Committee of progress toward achieving the quantitative and qualitative measures in the performance plans. If needed, performance measures may be added, amended or deleted as part of the quarterly review process.

Performance Measure Changes

All Board Reportable Executives - A change to the PSR / ETM / PERT performance measure has been made, altering the deliverable dates of the second, third and fourth Change Readiness Assessments (CRA) in the performance plans of the Interim Chief Executive Officer, Chief Actuary, General Counsel and Interim Chief Investment Officer. The date changes were presented to and approved by the PSR Steering Committee on December 10, 2008 to align the assessments with key project milestones.

All Investment Management Positions – As recommended by the committee, a Diversity component has been added to the qualitative Leadership measure in the performance plans of the Interim Chief Investment Officer and the Senior Investment Officers.

Senior Investment Officer, Asset Allocation / Risk Management - One change has been made to the benchmark identifier of the Inflation-Linked Asset Class (ILAC) measure in the performance plan of the Senior Investment Officer, Asset Allocation / Risk Management. The benchmark identifier change is in accordance with the ILAC performance measures outlined in the investment policy.

All changes are presented in the plans in strikeout/underscore format.

V. STRATEGIC PLAN:

Under Goal V of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

VI. RESULTS/COSTS:

The establishment of performance plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

CHRIS O'BRIEN, Chief
Human Resources Division

JOHN HIBER
Assistant Executive Officer, Administrative Services Branch

Attachments

**Quarterly Incentive Plan Status Reports
First and Second Quarter 2008-2009 Fiscal Year**

The FY 2008-09 first and second quarter status reports for incumbents in the positions as of 12/31/08 are presented in the following order:

<u>Position</u>	<u>Incumbent as of 12/31/08</u>
Interim Chief Executive Officer	Ken Marzion
Chief Actuary	Ron Seeling
General Counsel	Peter Mixon
Interim Chief Investment Officer	Anne Stausboll
Chief Operating Investment Officer	Position vacant
Senior Investment Officer, Alternative Investments	Leon Shahinian
Senior Investment Officer, Asset Allocation	Farouki Majeed
Senior Investment Officer, Fixed Income	Curtis Ishii
Senior Investment Officer, Global Equities	Eric Baggesen
Senior Investment Officer, Real Estate	Ted Eliopoulos